



Health Services
LOS ANGELES COUNTY

June 19, 2007

Los Angeles County
Board of Supervisors

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First District

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Second District

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Third District

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Fourth District

Michael D. Antonovich
Fifth District

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT NO. 2 TO MEDICAL
WASTE DISPOSAL SERVICES AGREEMENT
NO. H-207555 WITH STERICYCLE, INC.**
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Director of Health Services, or his designee, to offer and sign Amendment No. 2 to Agreement No. H-207555, substantially similar to Exhibit I, with Stericycle, Inc., to extend the term to continue the provision of medical waste disposal services, implement rate increases for medical waste disposal, and provide for the reimbursement to the Contractor of an annual State-assessed permit fee, effective July 1, 2007 through June 30, 2008, with an estimated annual net County cost of \$760,372, with a request for an automatic month-to-month extension for a maximum of six additional months effective July 1, 2008 through December 31, 2008, for an additional maximum obligation of \$380,186.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

In approving the recommended action, the Board is authorizing the Director of Health Services, or his designee, to execute an extension amendment with Stericycle, Inc. (Stericycle) to extend the term of the Agreement, effective July 1, 2007 through June 30, 2008, implement rate increases for medical waste disposal from \$0.22 to \$0.23 and \$0.65 to \$0.67 per pound for autoclave and incinerate waste respectively, and from \$54.25 to \$56.14 for medical waste collection; and authorize the reimbursement to the Contractor for a new, annual State-assessed permit fee in the amount of \$0.0127 per pound of medical waste treated under the Agreement. The increased rates are needed to offset the Contractor's increased fuel, disposal, and transportation costs. Amendment No. 2 will also add the most recent Board required contract provisions.

FISCAL IMPACT/FINANCING:

The estimated cost for Fiscal Year (FY) 2007-08 is \$760,372. Of that amount,

Bruce A. Chernof, MD
Director and Chief Medical Officer

John R. Cochran III
Chief Deputy Director

Robert G. Splawn, MD
Senior Medical Director

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through leadership,
service and education.*



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the estimated costs for the Department of Health Services (DHS or Department), Department of Public Health (DPH), Sheriff's Department (Sheriff) and Department of Coroner (Coroner) are \$610,122, \$86,250, \$26,000, and \$38,000, respectively.

The estimated cost for the month-to-month extension period, effective July 1, 2008 through December 31, 2008 is \$380,186. Of that amount, the estimated costs for DHS, DPH, Sheriff and Coroner are \$305,061, \$43,125, \$13,000, and \$19,000, respectively.

Funding for these services is included in the FY 2007-08 Proposed Budgets for the DHS, DPH, Sheriff, and Coroner, and will be requested in FY 2008-09.

Payment during this contract term will be made on a fee-for-service basis, at increased rates per pound or per collection (pickup) rates, whichever is greater, to offset the Contractor's increased fuel, disposal and transportation costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

For a number of years, the Department has contracted for the collection, transportation and disposal of medical waste from various DHS, DPH, Sheriff, and Coroner facilities throughout the County.

On December 17, 2001, the Department released an Invitation for Bid (IFB) for the continuation of medical waste disposal services. Stericycle was the only bidder in attendance at the mandatory bidders' conference. The IFB was cancelled at that point and sole source negotiations were initiated with Stericycle. On June 18, 2002, the Board approved a sole source agreement with Stericycle effective July 1, 2002 through June 30, 2007.

The current Agreement allows rates to be adjusted for inflation at the end of each contract year for the following year by a figure either equal to the average salary percentage movement granted to County employees, or the average Consumer Price Index percentage figure for All Urban Consumers, whichever is less. During Fiscal Year 2003-04, Stericycle received a three percent cost-of-living rate adjustment, the maximum allowed by the Agreement.

On November 3, 2004, the Board approved Amendment No. 1 to the Agreement with Stericycle to increase the rates the County pays for collection, transportation, and disposal of medical waste, needed to offset the Contractor's increased fuel costs and costs due to changes in landfill and transportation requirements. The Amendment also added an "incorrectly packaged waste" charge to allow Stericycle to recover costs when medical waste is incorrectly packaged by a facility.

In anticipation of the current Agreement being extended beyond the expiration date of June 30, 2007, Stericycle has requested that a cost-of-living adjustment be applied to Fiscal Year 2007-08 under the terms and conditions of the current Agreement. The amendment would increase the rates

the County pays for the collection, transportation, and disposal of medical waste by 3.49 percent, the maximum allowed by the Agreement, consistent with the Board's current cost-of-living adjustment policy.

Additionally, the State recently enacted a mandatory annual permit fee for offsite medical waste treatment facilities. Stericycle requested that it be reimbursed for the State permit fee to offset its increased cost of processing medical waste. The amendment will add the new State permit fee in the amount of One Hundred Twenty-Seven Ten Thousandths of a Cent (\$0.0127) for each pound of medical waste treated under the Agreement. The amendment also will add a provision specifying that in the event there are future amendments to federal, State or local laws, rules, regulations ordinances, and/or directives regarding medical waste disposal that result in the establishment of mandatory administrative fees charged to the Contractor, the County may compensate the Contractor for such mandatory administrative fees, provided the Contractor notifies the County in writing 60 days in advance of the Contractor's request to charge the County such mandatory administrative fees.

Under the termination provisions of the agreement, the agreement may be terminated for convenience by either party with a 180-calendar day advance written notice to the other party, and for cause by the County with a 10-calendar day advance written notice to the Contractor.

Exhibit I has been approved as to form by County Counsel.

Attachment A provides additional information.

CONTRACTING PROCESS:

The IFB process conducted in FY 2001-02 for the provision of medical waste disposal services resulted in a sole source agreement because Stericycle was the only bidder in attendance at the mandatory bidders' conference.

Although there are very few locally-based State-permitted offsite medical waste treatment facilities and/or State-authorized medical waste transporters capable of providing services on the scale required for the collection and disposal of medical waste at all of the DHS, DPH, Coroner and Sheriff facilities throughout the County, the Department plans to issue a Request for Quotes during FY 2007-08, and will initiate a request for Board approval for a new agreement with the company offering the lowest qualified rate quotes.

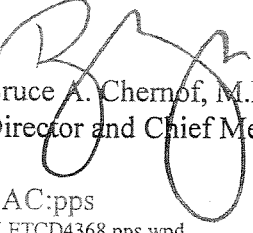
IMPACT ON CURRENT SERVICES (OR PROJECTS):

Board approval of the recommended action will ensure that essential medical waste disposal services continue uninterrupted through June 30, 2008.

The Honorable Board of Supervisors
June 19, 2007
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When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



Bruce A. Chernof, M.D.
Director and Chief Medical Officer

BAC:pps
BLETC4368.pps.wpd

Attachments (2)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

SUMMARY OF AMENDMENT

1. TYPE OF SERVICE:

Medical waste disposal services for various County facilities.

2. AGENCY ADDRESS, CONTACT PERSON, AND TELEPHONE NUMBER:

Stericycle, Inc.
2775 East 26th Street
Vernon, California 90023
Attention: Marketplace Sales Manager, Southern California
Telephone: (800) 953-9324

3. TERM:

The amendment with Stericycle, Inc. will be effective July 1, 2007 through June 30, 2008; month-to-month, July 1, 2008 through December 31, 2008.

4. FINANCIAL INFORMATION:

The estimated net County cost for the period of July 1, 2007 through June 30, 2008 is \$760,372. Of that amount, the estimated costs for the Department of Health Services (DHS), Department of Public Health (DPH), Sheriff's Department (Sheriff), and Department of Coroner (Coroner) are \$610,122, \$86,250, \$26,000, and \$38,000, respectively.

The estimated cost for the month-to-month extension, effective July 1, 2008 through December 31, 2008 is \$380,186. Of that amount, the estimated costs for DHS, DPH, Sheriff, and Coroner are \$305,061, \$43,125, \$13,000, and \$19,000, respectively.

Funding for these services is included in the FY 2007-08 Proposed Budgets for DHS, DPH, Sheriff, and Coroner. The fee-for-service rates will be as follows:

Existing Rates:

\$0.22 per pound or \$54.25 per collection, whichever is greater, for autoclaved waste.
\$0.65 per pound or \$54.25 per collection, whichever is greater, for incineration waste.
\$140 per call; \$0.39 per pound for autoclaved waste, \$0.69 per pound for incineration waste, for special emergency collections.
\$450 for incorrectly packaged waste.

Adjusted Rates

\$0.23 per pound or \$56.14 per collection, whichever is greater, for autoclave waste.
\$0.67 per pound or \$56.14 per collection, whichever is greater, for incinerated waste.
\$0.0127 per pound of medical waste treated under Health and Safety Code Section 118210
No change in rates for incorrectly packaged waste or special emergency collections.

5. GEOGRAPHIC AREAS TO BE SERVED:

Countywide.

6. ACCOUNTABILITY FOR MONITORING:

DHS, Sheriff, and Coroner Facility Administration.

7. APPROVALS:

Chief Deputy Director: John R. Cochran, III

Finance: Allan Wecker, Acting Chief Financial Officer

Contracts and Grants Division: Cara O'Neill, Chief

County Counsel (approval as to form): Christina Salseda, Deputy County Counsel

Contract No. H-207555

MEDICAL WASTE DISPOSAL SERVICES AGREEMENT

AMENDMENT NO. 2

THIS AMENDMENT is made and entered into this _____ day
of _____, 2007,

by and between

COUNTY OF LOS ANGELES
(hereafter "County"),

and

STERICYCLE, INC.
(hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled
"MEDICAL WASTE DISPOSAL SERVICES AGREEMENT", dated July 1, 2002,
and further identified as County Agreement No. H207555, and any
amendments thereto (all hereafter "Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend
Agreement to extend the term, revise collection rates, add a
State assessed fee, and make other hereinafter described changes.

WHEREAS, said Agreement provides that changes may be made in
the form of a written amendment which is formally approved and
executed by the parties.

NOW, THEREFORE, the parties hereto agree as follows:

1. This Amendment shall be effective on July 1, 2007.
2. The term of Agreement is hereby extended for twelve (12)
months, to June 30, 2008; thereafter, Agreement shall be
automatically extended on a month-to-month basis, for a period of

six (6) additional months, without further action by the parties, unless sooner terminated or canceled, as provided in this Agreement.

3. Exhibit B, BILLING, PAYMENT AND SCHEDULE OF RATES, Paragraph 2, SCHEDULE OF RATES, shall be amended to read as follows:

"2. SCHEDULE OF RATES: County shall compensate Contractor for providing services hereunder at rates not to exceed the following:

A. Collection Rate for Autoclave Waste: County shall compensate Contractor at the collection rate of Twenty-Three Cents (\$0.23) per pound or Fifty-Six Dollars and Fourteen Cents (\$56.14) per collection, whichever is greater.

B. Collection Rate for Waste to be Incinerated: County shall compensate Contractor at the collection rate of Sixty-Seven Cents (\$0.67) per pound or Fifty-Six Dollars and Fourteen Cents (\$56.14) per collection, whichever is greater.

C. Special Emergency Collection Rate (to be used in the event a facility's autoclave becomes inoperable and for other emergency reasons, including a request from a County Facility for a collection at a site not

designated in Agreement, e.g., medical waste on a city street adjacent to County Facility): County shall compensate Contractor One Hundred Forty Dollars (\$140) per call, and Thirty-Nine Cents (\$0.39) per pound for autoclave waste and Sixty-Nine Cents (\$0.69) per pound for incineration waste for an emergency collection. For an emergency collection of waste at a site not designated in Agreement, Contractor shall provide all necessary containers, including barrels, red bags, and other clean-up materials. Contractor shall provide an emergency collection service response within four (4) to six (6) hours of initial request from a County Facility. If Contractor is unable to meet the specified response time due to unavoidable circumstances such as poor weather conditions, traffic congestion, or other such situation, Contractor shall notify County and provide an emergency collection service as soon as it is safely possible to do so.

D. Cost-of-Living Adjustments: The maximum collection rates may be adjusted annually for inflation, at the end of a contract year, at the County's sole discretion, for the following contract year based on the increase or decrease in the U.S.

Department of Labor, Bureau of Labor Statistics' Consumer Price Index (CPI) for All Urban Consumers for the Los Angeles-Riverside-Orange County Area for the most recently published percentage change for the 12-month period preceeding the agreement anniversary date (i.e., July to July), which shall be the effective date for any cost-of-living adjustment. However, any increase shall not exceed the general salary movement granted to County employees as determined by the Chief Administrative Office as of each July 1 for the prior 12-month period. Should fiscal circumstances ultimately prevent the Board from approving any increases in County employee salaries, no cost-of-living adjustment as described under this Paragraph may be granted. Rate adjustments must be requested in writing ninety (90) days prior to the end of each contract year for the following contract year.

E. In the event there are amendments to federal, State, or local laws, rules, regulations, ordinances, and/or directives regarding medical waste disposal that result in the establishment of mandatory administrative fees (e.g., permit fees) charged to Contractor, County may compensate Contractor for such mandatory

administrative fees. Contractor shall notify County in writing sixty (60) days in advance of Contractor's request to charge County such mandatory administrative fees."

4. Exhibit B, BILLING, PAYMENT AND SCHEDULE OF RATES, Paragraph 3, ADDITIONAL SERVICE CHARGES, shall be amended to add the following sub-paragraph:

"D. State-Assessed Permit Fee: County shall compensate Contractor at the rate of One Hundred Twenty-Seven Ten Thousandths of a Cent (\$0.0127) per pound of medical waste treated under this Agreement pursuant to Section 118210 of the Health and Safety Code."

5. Paragraph 28, CONTRACTOR RESPONSIBILITY AND DEBARMENT, shall be deleted in its entirety and replaced with the following:

"28. CONTRACTOR RESPONSIBILITY AND DEBARMENT:

A. A responsible Contractor is a Contractor who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity, and experience to satisfactorily perform the contract. It is County's policy to conduct business only with responsible contractors.

B. Contractor is hereby notified that, in accordance with Chapter 2.202 of the County Code, if County acquires information concerning the performance of Contractor on this or other contracts which indicates that Contractor is not responsible, County may, in addition to other remedies provided under this Agreement, debar Contractor from bidding or proposing on, or being awarded, and/or performing work on County contracts for a specified period of time, which generally will not exceed five (5) years but may exceed five (5) years or be permanent if warranted by the circumstances, and terminate any or all existing contracts Contractor may have with County.

C. County may debar Contractor if the Board of Supervisors finds, in its discretion, that Contractor has done any of the following: (1) violated a term of a contract with County or a nonprofit corporation created by County; (2) committed any act or omission which negatively reflects on Contractor's quality, fitness, or capacity to perform a contract with County, any other public entity, or a nonprofit corporation created by County, or engage in a pattern or practice which negatively reflects on same; (3) committed an act or

offense which indicates a lack of business integrity or business honesty; or (4) made or submitted a false claim against County or any other public entity.

D. If there is evidence that Contractor may be subject to debarment, the Department will notify Contractor in writing of the evidence which is the basis for the proposed debarment and will advise Contractor of the scheduled date for a debarment hearing before the Contractor Hearing Board.

E. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. Contractor and/or Contractor's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a tentative proposed decision, which shall contain a recommendation regarding whether Contractor should be debarred, and, if so, the appropriate length of time of the debarment. Contractor and the Department shall be provided an opportunity to object to the tentative proposed decision prior to its presentation to the Board of Supervisors.

F. After consideration of any objections, or if no objections are submitted, a record of the hearing, the

proposed decision, and any other recommendation of the Contractor Hearing Board shall be presented to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny, or adopt the proposed decision and recommendation of the Contract Hearing Board.

G. If Contractor has been debarred for a period longer than five (5) years, Contractor may, after the debarment has been in effect for at least five (5) years, submit a written request for review of the debarment determination to reduce the period of debarment or terminate the debarment. County may, in its discretion, reduce the period of debarment or terminate the debarment if it finds that Contractor has adequately demonstrated one or more of the following: (1) elimination of the grounds for which the debarment was imposed; (2) a bona fide change in ownership or management; (3) material evidence discovered after debarment was imposed; or (4) any other reason that is in the best interests of the County.

H. The Contractor Hearing Board will consider a request for review of a debarment determination only where (1) Contractor has been debarred for a period longer than five (5) years; (2) the debarment has been

in effect for at least five (5) years; and (3) the request is in writing, states one or more of the grounds for reduction of the debarment period or termination of the debarment, and includes supporting documentation. Upon receiving an appropriate request, the Contractor Hearing Board will provide notice of the hearing on the request. At the hearing, the Contractor Hearing Board shall conduct a hearing where evidence on the proposed reduction of debarment period or termination of debarment is presented. This hearing shall be conducted and the request for review decided by the Contractor Hearing Board pursuant to the same procedures as for a debarment hearing. The Contractor Hearing Board's proposed decision shall contain a recommendation on the request to reduce the period of debarment or terminate the debarment. The Contractor Hearing Board shall present its proposed decision and recommendation to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny, or adopt the proposed decision and recommendation of the Contractor Hearing Board.

I. These terms shall also apply to any subcontractors of Contractor."

6. Paragraph 35, CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION - LOWER TIER COVERED TRANSACTIONS, shall be added to the ADDITIONAL PROVISIONS of Agreement as follows:

"35. CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION - LOWER TIER COVERED TRANSACTIONS: Contractor hereby acknowledges that County is prohibited from contracting with and making sub-awards to parties that are suspended, debarred, ineligible, or excluded from securing federally funded contracts. By executing this Agreement, Contractor certifies that neither it nor any of its owners, officers, partners, directors, or principals is currently suspended, debarred, ineligible, or excluded from securing federally funded contracts. Further, by executing this Agreement, Contractor certifies that, to its knowledge, none of its subcontractors, at any tier, or any owner, officer, partner, director, or other principal of any subcontractor is currently suspended, debarred, ineligible, or excluded from securing federally funded contracts. Contractor shall immediately notify County in writing, during the term of this Agreement, should it or any of its subcontractors or any principals of either be suspended, debarred, ineligible, or excluded from securing

federally funded contracts. Failure of Contractor to comply with this provision shall constitute a material breach of this Agreement upon which County may immediately terminate or suspend this Agreement."

9. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Agreement to be subscribed by its

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Director of Health Services, and Contractor has caused this Agreement to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
Bruce A. Chernof, M.D.
Director and Chief Medical Officer

STERICYCLE, INC.
Contractor

By _____
Signature

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL

By _____
Deputy

APPROVED AS TO CONTRACT
ADMINISTRATION:

Department of Health Services

By _____
Cara O'Neill, Chief
Contracts and Grants Division

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